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# **GARLAND CITY**

## **Audited Financial Statements**

**June 30, 2005**

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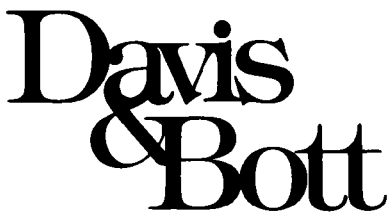
**Davis  
& Bott**

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Garland City  
June 30, 2005

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The Honorable Mayor and  
Members of the City Council  
Garland City  
Garland City, UT 84312

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Garland, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Garland, Utah. Our responsibility is to express opinions on these financial statements based on our audit.

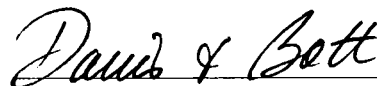
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Garland, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report  
Garland City

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005, on our consideration of Garland, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and on page 34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



DAVIS & BOTT

Certified Public Accountants, L.C.

Brigham City, Utah  
November 4, 2005

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2005**

As management of Garland, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- A. The assets of the City exceeded its liabilities at June 30, 2005, by \$3,059,648. Of this amount, unrestricted net assets of \$1,811,149 may be used to meet the City's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$83,140 over the prior year. Of this amount \$26,189 was associated with governmental and \$56,951 with business-type activities.
- C. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$971,548, a decrease of \$63,046 in comparison with the prior year. Of this amount, \$6,295 is reserved for park impact fees, \$4,034 for storm drain impact fees, \$2,344 for Justice Court and \$19,650 for B&C roads.
- D. The unreserved fund balance for the general fund was \$85,194, or 12 percent of total general fund expenditures.
- E. The City's long-term debt obligations decreased by \$35,083.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*See Independent Auditors' Report*

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**  
**For the Year Ended June 30, 2005**

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads and public works, and parks and cemetery. The business-type activities of the City consist of culinary water and sewer.

The government-wide financial statements include not only the City itself (known as the primary government) but also two legally separate redevelopment agencies which are component units of the City. Financial information for these component units is reported entirely within the primary government report.

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**  
**For the Year Ended June 30, 2005**

**Fund Financial Statements.** A fund is a grouping of related accounts is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the government funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are considered major funds. Two redevelopment funds are presented with combined information.

The City adopts a one-year budget for its governmental funds. A budgetary comparison statement has been provided for the general fund.

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**  
**For the Year Ended June 30, 2005**

**Proprietary Funds.** The City maintains only one type of proprietary fund; namely, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water and sewer utility funds.

**Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the City's assets exceeded liabilities by \$3,059,648. Of this amount, 39 percent reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

*See Independent Auditors' Report*



**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**  
**For the Year Ended June 30, 2005**

**Garland City's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,215,983	\$ 1,225,890	\$ 897,867	\$ 847,214	\$ 2,113,850	\$ 2,073,104
Capital assets	<u>664,593</u>	<u>590,011</u>	<u>805,125</u>	<u>815,168</u>	<u>1,469,718</u>	<u>1,405,179</u>
Total assets	1,880,576	1,815,901	1,702,992	1,662,382	3,583,568	3,478,283
Long-term liabilities outstanding	-	-	240,638	263,297	240,638	263,297
Other liabilities	<u>224,929</u>	<u>173,293</u>	<u>58,353</u>	<u>52,035</u>	<u>283,282</u>	<u>225,328</u>
Total liabilities	224,929	173,293	298,991	315,332	523,920	488,625
Net assets:						
Investment in capital assets, net of related debt	664,593	590,011	543,671	519,371	1,208,264	1,109,382
Restricted	32,323	-	7,912	-	40,235	-
Unrestricted	<u>958,731</u>	<u>1,052,597</u>	<u>852,418</u>	<u>827,679</u>	<u>1,811,149</u>	<u>1,880,276</u>
Total net assets	\$ <u>1,655,647</u>	\$ <u>1,642,608</u>	\$ <u>1,404,001</u>	\$ <u>1,347,050</u>	\$ <u>3,059,648</u>	\$ <u>2,989,658</u>

The unrestricted net assets of \$1,811,149 (59 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its combined governmental and business-type activities.

*See Independent Auditors' Report*

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**  
**For the Year Ended June 30, 2005**

**Garland City's Changes In Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 196,014	\$ 205,784	\$ 362,940	\$ 390,571	\$ 558,954	\$ 596,355
Operating grants and contributions	85,295	136,791	18,296	14,640	103,591	151,431
Capital grants and contributions	12,344	15,665	3,348	-	15,692	15,665
General revenues:						
Property taxes	221,114	206,563	-	-	221,114	206,563
Other taxes	234,393	208,478	-	-	234,393	208,478
Other	21,786	15,066	20,023	10,707	41,809	25,773
Total revenues	<u>770,946</u>	<u>788,347</u>	<u>404,607</u>	<u>415,918</u>	<u>1,175,553</u>	<u>1,204,265</u>
Expenses:						
General government	173,770	150,006	-	-	173,770	150,006
Public safety	328,853	318,099	-	-	328,853	318,099
Roads and public works	174,871	139,929	-	-	174,871	139,929
Parks and cemetery	67,263	64,725	-	-	67,263	64,725
Water utility	-	-	138,268	127,296	138,268	127,296
Sewer utility	-	-	209,388	224,786	209,388	224,786
Total expenses	<u>744,757</u>	<u>672,759</u>	<u>347,656</u>	<u>352,082</u>	<u>1,092,413</u>	<u>1,024,841</u>
Excess before transfers	26,189	115,588	56,951	63,836	83,140	179,424
Transfers	-	(50,000)	-	50,000	-	-
Increase (decrease) in net assets	26,189	65,588	56,951	113,836	83,140	179,424
Net assets - beginning	1,642,608	1,577,020	1,347,050	1,233,214	2,989,658	2,810,234
Prior period adjustment	(13,150)	-	-	-	(13,150)	-
Net assets - end	<u>\$ 1,668,797</u>	<u>\$ 1,642,608</u>	<u>\$ 1,404,001</u>	<u>\$ 1,347,050</u>	<u>\$ 3,072,798</u>	<u>\$ 2,989,658</u>

*See Independent Auditors' Report*

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**

**For the Year Ended June 30, 2005**

**Governmental and Business-Type Activities.** Governmental activities increased the City's net assets by \$26,189. When combined with the \$56,951 increase in net assets from business-type activities, overall net assets increased by \$83,140 or 3 percent.

The increase in governmental net assets was close to the amount budgeted. The increase in the business-type activities is due mainly to the operating transfer from the capital projects fund and the planned increase in the water fund to build up reserves for a new water tank.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The purpose of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$85,194, which comprises 72 percent of the total fund balance. The unreserved general fund balance represents 12 percent of total general fund expenditures. The balance of the City's general fund decreased by \$148,771 during the current fiscal year. This decrease was mostly due to the transfer to capital projects.

The capital projects fund increased mainly because of the transfer from the general fund to build the fund for future capital purchases. The water utility fund's net assets increased by \$55,216, which is in excess of the amount budgeted. The increase in the sewer fund of \$1,735 was in line with the plans of the City.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City budgeted for the transfer of \$177,000 from the general fund to the capital projects fund to reserve funding for future capital purchases.

*See Independent Auditors' Report*

**Garland City**  
**Management's Discussion and Analysis (Unaudited)**  
**(Continued)**  
**For the Year Ended June 30, 2005**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at June 30, 2005, amounted to \$1,469,718 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, equipment, roads and similar infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$64,539 (an increase of 13 percent for governmental activities and an decrease of 1 percent for business-type activities).

**Garland City's Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 81,550	\$ 81,550	\$ -	\$ -	\$ 81,550	\$ 81,550
Buildings	14,850	15,525	27,317	28,087	42,167	43,612
Improvements other than buildings	185,623	122,449	730,047	753,132	915,670	875,581
Infrastructure	32,004	32,668	-	-	32,004	32,668
Equipment	<u>350,566</u>	<u>337,819</u>	<u>47,761</u>	<u>33,949</u>	<u>398,327</u>	<u>371,768</u>
Net capital assets	<u>\$ 664,593</u>	<u>\$ 590,011</u>	<u>\$ 805,125</u>	<u>\$ 815,168</u>	<u>\$ 1,469,718</u>	<u>\$ 1,405,179</u>

Additional information on the City's capital assets can be found in Note 3 on pages 28 and 29 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City has applied for a grant to be used to purchase a fire truck. The fire station will need to be expanded to house the new truck.

*See Independent Auditors' Report*

**Garland City**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 976,653	\$ 838,631	\$1,815,284
Accounts receivable - net	6,146	41,140	47,286
Intergovernmental receivable	233,184	-	233,184
Prepaid expenses	-	2,256	2,256
Restricted cash	-	15,840	15,840
capital assets (net of accumulated depreciation)			
Land	81,550	-	81,550
Buildings	14,850	27,317	42,167
Improvements	185,623	730,047	915,670
Infrastructure	32,004	-	32,004
Equipment	350,566	47,761	398,327
 Total assets	 <u>1,880,576</u>	 <u>1,702,992</u>	 <u>3,583,568</u>
<b>LIABILITIES</b>			
Accounts payable	16,497	22,587	39,084
Accrued liabilities	26,014	-	26,014
Deposits	-	14,950	14,950
Deferred revenue	182,418	-	182,418
Current portion of long-term debt	-	33,240	33,240
Revenue bonds payable	-	228,214	228,214
 Total liabilities	 <u>224,929</u>	 <u>298,991</u>	 <u>523,920</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	664,593	543,671	1,208,264
Restricted for:			
Impact fees - parks	6,295	-	6,295
Impact fees - storm drain	4,034	-	4,034
Impact fees - water	-	6,628	6,628
Impact fees - sewer	-	1,284	1,284
Justice Court	2,344	-	2,344
B&C roads	19,650	-	19,650
Unrestricted	958,731	852,418	1,811,149
 Total net assets	 <u>\$1,655,647</u>	 <u>\$1,404,001</u>	 <u>\$3,059,648</u>

*The accompanying notes are an integral part of these statements.*

**Garland City**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 173,770	\$ 47,289	\$ 18,028	\$ -	\$ (108,453)	\$ -	\$ (108,453)
Public safety	328,853	82,043	2,642	4,532	(239,636)	-	(239,636)
Roads and public works	174,871	64,465	64,241	2,556	(43,609)	-	(43,609)
Parks and cemetery	67,263	2,217	384	5,256	(59,406)	-	(59,406)
Total governmental activities	744,757	196,014	85,295	12,344	(451,104)	-	(451,104)
Business-type activities:							
Water utility	138,268	160,737	13,421	3,348	-	39,238	39,238
Sewer utility	209,388	202,203	4,875	-	-	(2,310)	(2,310)
Total business-type activities	347,656	362,940	18,296	3,348	-	36,928	36,928
Total primary government activities	\$ 1,092,413	\$ 558,954	\$ 103,591	\$ 15,692	(451,104)	36,928	(414,176)
General revenues:							
Taxes:							
Property taxes					221,114	-	221,114
General sales and use taxes					163,789	-	163,789
Other taxes					70,604	-	70,604
Unrestricted investment earnings					21,786	20,023	41,809
Total general revenues					477,293	20,023	497,316
Change in net assets					26,189	56,951	83,140
Net assets - beginning (as restated)					1,642,608	1,347,050	2,989,658
Prior period adjustment					(13,150)	-	(13,150)
Net assets - ending					\$ 1,655,647	\$ 1,404,001	\$ 3,059,648

The accompanying notes are an integral part of these statements.

**Garland City**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 122,622	\$ 818,691	\$ 35,340	\$ 976,653
Receivables:				
Property tax	175,427	-	12,800	188,227
Sales tax	30,950	-	-	30,950
Class "C" road	14,007	-	-	14,007
Other	4,993	-	-	4,993
Prepaid expense	-	-	-	-
Short-term note	1,154	-	-	1,154
 Total assets	 <u>\$ 349,153</u>	 <u>\$ 818,691</u>	 <u>\$ 48,140</u>	 <u>\$ 1,215,984</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 19,938	\$ -	\$ -	\$ 19,938
Accrued expenses	22,573	-	-	22,573
Deferred revenue	<u>189,124</u>	<u>-</u>	<u>12,800</u>	<u>201,924</u>
 Total liabilities	 <u>231,635</u>	 <u>-</u>	 <u>12,800</u>	 <u>244,435</u>
Fund balance:				
Reserved:				
Impact fees - park	6,295	-	-	6,295
Impact fees - storm drain	4,034	-	-	4,034
Justice Court	2,344	-	-	2,344
B&C roads	19,650	-	-	19,650
Unreserved	<u>85,194</u>	<u>818,691</u>	<u>35,340</u>	<u>939,225</u>
 Total fund balances	 <u>117,517</u>	 <u>818,691</u>	 <u>35,340</u>	 <u>971,548</u>
 Total liabilities and fund balances	 <u>\$ 349,152</u>	 <u>\$ 818,691</u>	 <u>\$ 48,140</u>	 <u>\$ 1,215,983</u>

*The accompanying notes are an integral part of these statements.*

Garland City  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2005

Total fund balances - governmental fund types	\$ 971,548
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Amounts reported for governmental  
activities in the statement of net  
assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	664,593
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Revenues not considered available are deferred in the funds.	<u>19,506</u>
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Net assets of government activities	<u>\$ 1,655,647</u>
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*The accompanying notes are an integral part of these statements.*



**Garland City**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances - Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes				
Property	\$ 164,865	\$ -	\$ 14,092	\$ 178,957
Sales	162,287	-	-	162,287
Other	112,761	-	-	112,761
Licenses and permits	15,497	-	-	15,497
Intergovernmental	78,410	-	-	78,410
Charges for services	148,313	-	-	148,313
Fines and forfeitures	39,737	-	-	39,737
Miscellaneous revenue	11,696	-	-	11,696
Interest income	4,593	16,512	681	21,786
Total revenues	<u>738,159</u>	<u>16,512</u>	<u>14,773</u>	<u>769,444</u>
Expenditures:				
Current:				
General government	146,181	3,665	15,918	165,764
Public safety	300,429	-	-	300,429
Roads and public works	173,906	-	-	173,906
Parks and cemetery	61,272	-	-	61,272
Capital outlay	<u>14,859</u>	<u>103,110</u>	<u>-</u>	<u>117,969</u>
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>696,647</u>	<u>106,775</u>	<u>15,918</u>	<u>819,340</u>
Excess of revenues over (under) expenditures	<u>41,512</u>	<u>(90,263)</u>	<u>(1,145)</u>	<u>(49,896)</u>
Other financing sources (uses):				
Transfers in	-	177,133	-	177,133
Transfers out	<u>(177,133)</u>	<u>-</u>	<u>-</u>	<u>(177,133)</u>
Total other financing sources (uses)	<u>(177,133)</u>	<u>177,133</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>(135,621)</u>	<u>86,870</u>	<u>(1,145)</u>	<u>(49,896)</u>
Fund balance at beginning of year	266,288	731,821	36,485	1,034,594
Prior period adjustment	<u>(13,150)</u>	<u>-</u>	<u>-</u>	<u>(13,150)</u>
Fund balance at end of year	<u>\$ 117,517</u>	<u>\$818,691</u>	<u>\$ 35,340</u>	<u>\$ 971,548</u>

*The accompanying notes are an integral part of these statements.*

Garland City  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
June 30, 2005

Amounts reported for governmental  
activities in the statement of  
activities are different because:

Net changes in fund balances - total governmental funds	\$ (49,896)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	74,583
--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as in the funds.	<u>1,502</u>
--	--------------

Change in net assets of govern- mental activities	\$ <u>26,189</u>
--	------------------

*The accompanying notes are an integral part of these statements.*

**Garland City**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 666,011	\$ 172,620	\$ 838,631
Prepaid expenses	19,089	22,051	41,140
Accounts receivable	-	2,256	2,256
Total current assets	<u>685,100</u>	<u>196,927</u>	<u>882,027</u>
Noncurrent assets:			
Restricted cash and cash equivalents	15,840	-	15,840
Capital assets (net of accumulated depreciation):			
Buildings	27,317	-	27,317
Improvements	505,305	224,742	730,047
Equipment	<u>38,866</u>	<u>8,895</u>	<u>47,761</u>
Total noncurrent assets	<u>587,328</u>	<u>233,637</u>	<u>820,965</u>
Total assets	<u>1,272,428</u>	<u>430,564</u>	<u>1,702,992</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	7,275	15,312	22,587
Customer deposits	14,950	-	14,950
Current portion of long-term debt	<u>20,816</u>	<u>-</u>	<u>20,816</u>
Total current liabilities	<u>43,041</u>	<u>15,312</u>	<u>58,353</u>
Noncurrent liabilities			
Bonds payable	<u>240,638</u>	<u>-</u>	<u>240,638</u>
Total liabilities	<u>283,679</u>	<u>15,312</u>	<u>298,991</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	310,034	233,637	543,671
Restricted for:			
Impact fees	6,628	1,284	7,912
Unrestricted	<u>672,087</u>	<u>180,331</u>	<u>852,418</u>
Total net assets	<u>\$ 988,749</u>	<u>\$ 415,252</u>	<u>\$1,404,001</u>

*The accompanying notes are an integral part of these statements.*

**Garland City**  
**Statement of Revenues, Expenses and Changes in Fund Net**  
**Assets - Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Operating revenues:			
Sales	\$ 160,737	\$202,203	\$ 362,940
Total operating revenues	160,737	202,203	362,940
Operating expenses:			
Wages and benefits	34,258	31,780	66,038
Contracted services	1,320	146,710	148,030
Materials and supplies	2,731	885	3,616
Maintenance and repairs	20,513	1,821	22,334
Professional training	5,196	303	5,499
Utilities	16,975	143	17,118
Depreciation	<u>44,218</u>	<u>27,746</u>	<u>71,964</u>
Total operating expenses	125,211	209,388	334,599
Operating income	35,526	(7,185)	28,341
Nonoperating revenues (expenses):			
Interest revenue	15,978	4,045	20,023
Impact fees	13,421	4,875	18,296
Donations	3,348	-	3,348
Interest expense and fiscal charges	<u>(13,057)</u>	<u>-</u>	<u>(13,057)</u>
Total nonoperating revenues (expenses)	<u>19,690</u>	<u>8,920</u>	<u>28,610</u>
Change in net assets	55,216	1,735	56,951
Total net assets - beginning	<u>933,533</u>	<u>413,517</u>	<u>1,347,050</u>
Total net assets - ending	<u>\$ 988,749</u>	<u>\$415,252</u>	<u>\$1,404,001</u>

*The accompanying notes are an integral part of these statements.*

**Garland City**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 164,119	\$ 200,992	\$ 365,111
Payments to suppliers	(41,463)	(136,806)	(178,269)
Payments to employees	(34,258)	(31,780)	(66,038)
Net cash provided by operating activities	<u>88,398</u>	<u>32,406</u>	<u>120,804</u>
Cash flows from noncapital financing activities:			
Net customer deposits	(2,580)	-	(2,580)
Net cash used in financing activities	<u>(2,580)</u>	<u>-</u>	<u>(2,580)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(13,314)	(45,261)	(58,575)
Impact fees received	13,421	4,875	18,296
Principal paid on capital debt	(34,343)	-	(34,343)
Interest paid on capital debt	(13,057)	-	(13,057)
Net cash used in capital and related financing activities	<u>(47,293)</u>	<u>(40,386)</u>	<u>(87,679)</u>
Cash flows from investing activities:			
Interest and dividends received	<u>15,978</u>	<u>4,045</u>	<u>20,023</u>
Net cash provided by investing activities	<u>15,978</u>	<u>4,045</u>	<u>20,023</u>
Net increase (decrease) in cash and cash equivalents	54,503	(3,935)	50,568
Cash and cash equivalents - beginning	<u>627,348</u>	<u>176,555</u>	<u>803,903</u>
Cash and cash equivalents - end	<u>\$ 681,851</u>	<u>\$ 172,620</u>	<u>\$ 854,471</u>
Cash and cash equivalents	\$ 666,011	\$ 172,620	\$ 838,631
Restricted cash and cash equivalents	<u>15,840</u>	<u>-</u>	<u>15,840</u>
Total cash and cash equivalents	<u>\$ 681,851</u>	<u>\$ 172,620</u>	<u>\$ 854,471</u>

*The accompanying notes are an integral part of these statements.*

**Garland City**  
**Statement of Cash Flows - Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2005**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ <u>35,526</u>	\$ <u>(7,185)</u>	\$ <u>28,341</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	44,218	27,746	71,964
Increase in accounts receivable	3,382	(1,211)	2,171
Decrease in accounts payable	-	(2,256)	(2,256)
Increase in deferred revenue	<u>5,272</u>	<u>15,312</u>	<u>20,584</u>
Total adjustments	<u>52,872</u>	<u>39,591</u>	<u>92,463</u>
Net cash provided by operating activities	\$ <u>88,398</u>	\$ <u>32,406</u>	\$ <u>120,804</u>
Cash and cash equivalents	\$ 666,011	\$ 172,620	\$ 838,631
Restricted cash and cash equivalents	<u>15,840</u>	<u>-</u>	<u>15,840</u>
Total cash and cash equivalents	\$ <u>681,851</u>	\$ <u>172,620</u>	\$ <u>854,471</u>

*The accompanying notes are an integral part of these statements.*

**Garland City**  
**Notes to Financial Statements**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The government of Garland City is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, the Garland City Redevelopment Agencies (Agencies), entities for which the government is considered to be financially accountable. They are considered blended component units since they are governed by the City Council and are financially dependent on the City and so their data is combined with data of the primary government. The Agencies have a June 30 year end.

**B. Government-Wide and Fund Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*See Independent Auditors' Report*

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements except for the two redevelopment agencies, which are combined into one column.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

*See Independent Auditors' Report*



**Garland City**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 30 days after year end. The City considers Class C road money to be available if collected within 60 days of year end. Expenditures are recorded when the related fund liability is incurred.

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **special revenue funds** account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The **capital projects funds** account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

*See Independent Auditors' Report*

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City has two proprietary funds, the water utility fund, which delivers culinary water to citizens and the sewer utility fund.

D. Assets, Liabilities and Equity

i. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently the only investing is done with the state treasurer's investment pool.

*See Independent Auditors' Report*

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Capital Assets

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems and lighting system placed in service prior to June 30, 2003, have not been capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements.

Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements .....	10 - 50 years
Utility systems .....	10 - 50 years
Equipment .....	5 - 20 years
Infrastructure .....	50 years

E. Budget and Budgetary Accounting

The City follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

*See Independent Auditors' Report*

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transfers

The transfer from the capital projects fund to the sewer fund was to improve the financial position of the sewer fund. The transfer from the general fund to the capital projects fund was to provide funding for future capital improvements.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Financial Statement Presentation, Measurement Focus and Basis of Accounting

As of and for the year ended June 30, 2005, the City implemented the Governmental Accounting Standards Board pronouncements No. 34, 36, 37 and 38. These pronouncements are related to the new financial reporting requirements for all state and local governments. Significant changes can be found in the notes to the basic financial statements, the newly required management's discussion and analysis and the basic financial statements.

NOTE 2. CASH AND INVESTMENTS

At year end, the government's carrying amount of deposits was \$64,861 and the bank balance was \$78,160. All of the bank balance was covered by federal depository insurance.

Statutes authorize Garland City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records and the State Treasurer's Investment Pool.

*See Independent Auditors' Report*

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities

	Balance June 30, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2005</u>
Capital assets not being depreciated:				
Land	\$ 81,550	\$ -	\$ -	\$ 81,550
Capital assets being depreciated:				
Buildings	27,000	-	-	27,000
Improvements	163,218	70,099	-	233,317
Infrastructure	33,222	-	-	33,222
Equipment	<u>554,639</u>	<u>62,762</u>	<u>7,000</u>	<u>610,401</u>
Total at historical cost	<u>859,629</u>	<u>132,861</u>	<u>7,000</u>	<u>985,490</u>
Less accumulated depreciation for:				
Buildings	11,475	675	-	12,150
Improvements	40,768	6,925	-	47,693
Infrastructure	554	664	-	1,218
Equipment	<u>216,821</u>	<u>43,016</u>	<u>-</u>	<u>259,837</u>
Total accumulated depreciation	<u>269,618</u>	<u>51,280</u>	<u>-</u>	<u>320,898</u>
Governmental activities capital assets - net	<u>\$ 590,011</u>	<u>\$ 81,581</u>	<u>\$ 7,000</u>	<u>\$ 664,592</u>

See Independent Auditors' Report

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 3. CAPITAL ASSETS (Continued)

Business-Type Activities

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets being depreciated:				
Buildings	\$ 38,478	\$ -	\$ -	\$ 38,478
Improvements	3,164,520	41,261	-	3,205,781
Machinery and equipment	<u>117,772</u>	<u>20,661</u>	<u>-</u>	<u>138,433</u>
Total at historical cost	<u>3,320,770</u>	<u>61,922</u>	<u>-</u>	<u>3,382,692</u>
Less accumulated depreciation for:				
Buildings	10,391	770		11,161
Improvements	2,411,389	64,345	-	2,475,734
Machinery and equipment	<u>83,823</u>	<u>6,848</u>	<u>-</u>	<u>90,671</u>
Total accumulated depreciation	<u>2,505,603</u>	<u>71,963</u>	<u>-</u>	<u>2,577,566</u>
Business type activities capital assets - net	<u>\$ 815,167</u>	<u>\$ (10,041)</u>	<u>\$ -</u>	<u>\$ 805,126</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General governmental	\$ 8,005
Public safety	28,427
Road and public works	8,858
Parks and cemetery	<u>5,990</u>
Total depreciation expense governmental activities	<u>\$ 51,280</u>
Water utility	\$ 44,218
Sewer utility	<u>27,745</u>
Total depreciation expense business-type activities	<u>\$ 71,963</u>

See Independent Auditors' Report

**Garland City**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 4: LONG-TERM DEBT**

Long-term debt at June 30, 2005, consists of the following. These revenue bonds are secured by the water utility revenues

	Balance June 30, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2005</u>	<u>Current Portion</u>
General Electric Credit, \$400,000 due in monthly installments of \$1,950 including interest at 5%.	\$261,957	\$ -	\$10,343	\$251,614	\$10,976
Utah Water Resources, \$346,000 due in annual installments of \$24,000 with no interest.	<u>33,840</u>	<u>-</u>	<u>24,000</u>	<u>9,840</u>	<u>9,840</u>
Total	<u>\$ 295,797</u>	<u>\$ -</u>	<u>\$ 34,343</u>	<u>\$261,454</u>	<u>\$20,816</u>

**Debt Service Requirements**

The debt service requirements, including interest and principal, for long-term debt at June 30, 2005, are as follows:

**Enterprise Revenue Bonds Payable**

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 20,816	\$ 12,424	\$ 33,240
2007	11,538	11,862	23,400
2008	12,128	11,272	23,400
2009	12,749	10,651	23,400
2010	13,401	9,999	23,400
2011 - 2015	78,019	38,981	117,000
2016 - 2020	100,126	16,874	117,000
2021 - 2025	<u>12,677</u>	<u>261</u>	<u>12,938</u>
	<u>\$ 261,454</u>	<u>\$ 112,324</u>	<u>\$373,778</u>

*See Independent Auditors' Report*

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 5. RETIREMENT PLANS

Plan Description

Garland City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with (without) Social Security coverage, which are for employers with (without) Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Contributory Retirement System, Garland City is required to contribute 13.08 percent of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage noncontributory division Garland City is required to contribute 19.08 percent of their annual salary and 19.99 percent to the contributing division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.



**Garland City**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 5. RETIREMENT PLANS (Continued)**

Garland City contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$9,446, \$8,183 and \$6,933, respectively, and for the Public Safety Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$19,131, \$15,699 and \$12,719, respectively. The contributions were equal to the required contributions for each year.

401(k) and 457 Plan

The City participates in a 401(k) plan and a 457 plan, defined contribution plans, through the Utah State Retirement System. The employees may elect to have money withheld from their pay up to the amount allowed by the IRS.

Plan member contributions were \$1,820, \$5,940 and \$5,835 for the years ended June 30, 2005, 2004 and 2003, respectively

**NOTE 6. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15, and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

**NOTE 7. RISK MANAGEMENT**

Garland City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to persons providing services to the City; and natural disasters. All general liability, real property, vehicles, including heavy equipment and injuries to persons providing services to the City are insured through the Utah Local Government Trust. Settled claims have not exceeded the City's insurance. For insured programs, there have been no significant reductions in insurance coverage.

Garland City  
Notes to Financial Statements (Continued)  
June 30, 2005

**NOTE 8. REDEVELOPMENT AGENCY**

Tax increment monies were generated from the following project area within the Redevelopment Agency:

RDA #1	\$ 3,284
RDA #2	<u>10,808</u>
	<u>\$14,092</u>
Tax increment paid to other taxing agencies	\$ <u>-</u>

There were no bonds issued or other loans incurred to finance the costs associated with the project area.

During the year, the RDA expended monies in the following categories:

Acquisition of property	\$ -
Site improvements/preparation costs	\$ -
Installation of public improvements	\$ -
Administration costs	\$15,918
Debt repayment and bond issuance costs	\$ -

**NOTE 9. PRIOR PERIOD ADJUSTMENT COMPENSATED ABSENCES**

In the past, compensated absences have not been recorded in the financial statements. This year the general fund amounts were recorded. The liability at June 30, 2004 amounted to \$13,150 and has been shown as a prior period adjustment.

*See Independent Auditors' Report*

**REQUIRED SUPPLEMENTARY INFORMATION**

**Garland City**  
**Budgetary Comparison Schedule (Unaudited)**  
**June 30, 2005**

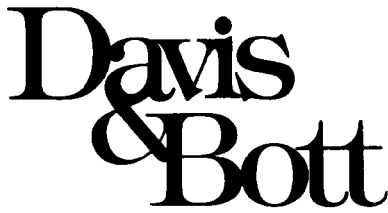
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes				
Property	\$188,274	\$188,274	\$ 164,865	\$ (23,409)
Sales	134,401	162,000	162,287	287
Other	48,000	74,000	112,761	38,761
Licenses and permits	11,200	16,000	15,497	(503)
Intergovernmental	116,400	116,400	78,410	(37,990)
Charges for services	64,105	117,606	148,313	30,707
Fines and forfeitures	21,268	21,268	39,737	18,469
Miscellaneous revenue	5,600	5,600	11,696	6,096
Interest income	5,000	5,000	4,593	(407)
Total revenues	<u>594,248</u>	<u>706,148</u>	<u>738,159</u>	<u>32,011</u>
Expenditures:				
General government	128,528	154,428	146,181	8,247
Public safety	250,049	299,549	300,429	(880)
Roads and public works	162,453	177,453	173,906	3,547
Parks and cemetery	41,918	56,918	61,272	(4,354)
Capital outlay	11,300	17,800	14,859	2,941
Total expenditures	<u>594,248</u>	<u>706,148</u>	<u>696,647</u>	<u>9,501</u>
Excess (deficiency) of revenues over expenditures	-	-	41,512	41,512
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(11,300)</u>	<u>(17,800)</u>	<u>(177,133)</u>	<u>(159,333)</u>
Total other financing sources (uses)	<u>(11,300)</u>	<u>(17,800)</u>	<u>(177,133)</u>	<u>(159,333)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(11,300)	(17,800)	(135,621)	(117,821)
Fund balance at beginning of year	266,288	266,288	266,288	-
Prior period adjustment	-	-	<u>(13,150)</u>	<u>(13,150)</u>
Fund balance at end of year	<u>\$254,988</u>	<u>\$248,488</u>	<u>\$ 117,517</u>	<u>\$ (130,971)</u>

*See Independent Auditors' Report*

Garland City  
Note to Budgetary Comparison Schedule (Unaudited)  
June 30, 2005

The Public Safety Department of the general fund had expenditures in excess of budget of \$880 for the year ended June 30, 2005. This is a violation of state law.

The Parks and Recreation Department of the general fund had expenditures in excess of budget of \$4,354 for the year ended June 30, 2005. This is in violation of state law.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS**

The Honorable Mayor and  
Members of the City Council  
Garland, Utah 84312

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Garland, Utah as of and for the year ended June 30, 2005, which collectively comprise the City of Garland's basic financial statements and have issued our report thereon dated November 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Audit Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of Garland, Utah, in a separate letter dated November 4, 2005.

GARLAND CITY

Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit  
of Financial Statements Performed

In Accordance with Governmental Auditing Standards

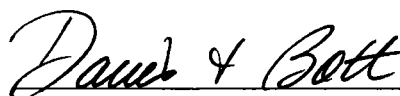
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garland, Utah's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Garland's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are reported to management in a separate letter dated November 4, 2005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, of the reportable conditions described above, we consider the item on the attached schedule to be a material weakness.

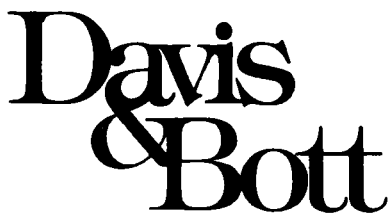
This report is intended solely for the information of management, the City Council, and the various state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS & BOTT

Certified Public Accountants, L.C.

November 4, 2005



Certified Public Accountants, L.C.

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## AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and  
Members of the City Council  
GARLAND CITY  
Garland, Utah 84312

We have audited the financial statements of Garland, Utah, for the year ended June 30, 2005, and have issued our report thereon dated November 4, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or disallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

- \* B & C Road Funds (Utah Department of Transportation)
- \* Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which were not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City's financial statements.)

- \* Fire Department Grant (Department of Natural Resources)
- \* Police Grant (Commission on Criminal & Juvenile Justice)
- \* Library (Department of Community and Economic Development)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- \* Public Debt
- \* Cash Management
- \* Purchasing Requirements
- \* Budgetary Compliance



GARLAND CITY  
Auditors' Report on State of Utah  
Legal Compliance  
Page Two

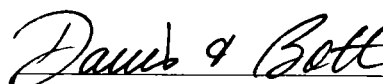
- \* Truth in Taxation and Property Tax  
Limitations
- \* Liquor Law Enforcement
- \* Justice Courts
- \* B & C Road Funds
- \* Uniform Building Code Standards
- \* Other General Issues
- \* Impact fees

The management of Garland, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

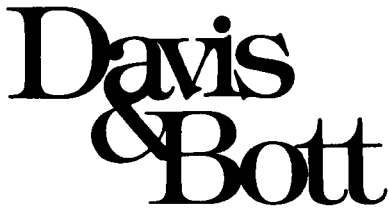
In our opinion, Garland, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or disallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



DAVIS & BOTT

Certified Public Accountants, L.C.

November 4, 2005  
Brigham City, Utah



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The Honorable Mayor and  
Members of the City Council  
Garland City  
Garland, UT 84312

We have audited the financial statements of Garland City for the year ended June 30, 2005, and have issued our report thereon dated November 4, 2005. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Garland City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Garland City taken as a whole.

However, our study and evaluation disclosed the following reportable or agreed-upon conditions that we believe result in a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Garland City may occur and not be detected within a timely period.

#### **CURRENT YEAR RECOMMENDATIONS**

##### **1. SEGREGATION OF DUTIES**

Issue -- Garland City has insufficient segregation of duties due to the small size of the entity.

Recommendation -- We recommend the City look at the cost versus the benefit of improving the segregation of duties.

Response -- Garland City has a City clerk and a treasurer. The treasurer is also the City court clerk and spends her time there. The City feels that the additional cost involved to completely segregate duties is not feasible for the benefit they would receive. They feel that their current procedures are adequate to safeguard assets.

##### **2. CAPITALIZATION POLICY**

Issue -- Currently, the City does not have an adopted policy on capitalization. It is left to judgment on what is capitalized.

Recommendation -- We recommend that with the codification of their laws, the City also adopt a formal capitalization policy.

Response -- Garland City will implement this policy.

#### **PRIOR YEAR RECOMMENDATIONS**

##### **1. CASH ACCOUNTS**

Issue -- Departments of the City maintain five bank accounts that have not been included in the budgeting, approving or financial records of the City. This has resulted in prior years financial records being materially misstated. This also can result in budgets being overspent and improper disbursements being made unknowingly.

**PRIOR YEAR RECOMMENDATIONS (Continued)**

Recommendation -- We recommend that all cash accounts of the City be included in the financial accounting, that the amounts spent in those accounts be included in the budget process, and that the financial transactions of all accounts be subjected to the internal control system of the City.

Response -- We are in the process of implementing this recommendation.

Current Status -- This has been implemented.

**2. BUDGETARY COMPLIANCE**

Issue -- The public safety department overspent its budget by \$31,209. This was mainly due to not considering disbursements from the separate department accounts. Spending in excess of budget is contrary to state law.

Recommendation -- We recommend that expenditures not exceed budget to comply with state law.

Response -- Excess expenditures were a result of including the transactions in the accounts previously omitted from the statements. These disbursements will be included in budgeting in the future.

Current Status - The Public Safety Department over spent its budget by \$880 for the fiscal year ending June 30, 2005.

The Parks and Cemetery Department over spent its budget by \$4,359 for the fiscal year ending June 30, 2005.

**3. DISBURSEMENTS**

Issue -- Checks are being written without proper authorization. Supporting documentation on some disbursements is not being maintained.

Recommendation -- We recommend that all checks written should be signed by two authorized individuals, and that all supporting documentation be retained by the City.

**PRIOR YEAR RECOMMENDATIONS (Continued)**

Response -- This recommendation is being implemented as we bring the additional account under the City's normal internal control procedures.

Current Status - This was implemented by year end.

**4. RECEIPT DEPOSITING**

Issue -- Some cash receipts are not being deposited within three days as required by state law. Failure to deposit receipts timely increases the chance of misplacing receipts and of fraud.

Recommendation -- We recommend that receipts be deposited at least every three banking days.

Response -- We will implement this recommendation.

Current Status -- The City is making deposits at least twice a week and is currently in compliance.

**5. PURCHASING POLICY**

Issue -- The City doesn't currently maintain a written purchasing policy to help govern cash disbursements. This increases the chance of loss of assets of the City due to overpayment on work or incorrect disbursements.

Recommendation -- We recommend that the City adopt a written purchasing policy that covers all disbursements of the City.

Response -- We have looked into resources to help us implement this recommendation and will continue implementation.

Current Status -- The City has engaged the services of Sterling Codifiers, who are updating and codifying all the laws of the City. A purchasing policy is to be included when the codification is completed.

**PRIOR YEAR RECOMMENDATIONS (Continued)**

**6. PUBLIC HEARING NOTICE**

Issue -- The City did not give proper public notice for the public hearing to amend the 2004 budget. State law requires public notice to be given when a budget is adopted or increased to give the citizens time for inspection.

Recommendation -- We recommend that proper public notice be given of public hearings to adopt or increase the City budget.

Response -- This was overlooked by the new personnel. Additional training has been completed, and public notice will be given in the future.

Current Status -- The public notice for amending the 2004-2005 budget and adoption of the 2006 budget was given to the newspaper and printed with proper notification to the public.

**7. TRUST FUNDS**

Issue -- The City was not reconciling the court trust funds to determine proper handling of the trust monies. This can result in the money not being properly disbursed.

Recommendation -- We recommend that the court trust funds be reconciled on a monthly basis with a ledger kept that identifies all money in the account.

Response -- We have now reconciled this account and have identified all deposits except one, which we are still investigating.

Current Status -- Currently, the court trust fund is now included in the book and records of the City, and the accounting appears proper.

**8. GENERAL FUND BALANCE**

Issue -- The fund balance of the general fund is in excess of the amount allowed by state law.

Recommendation -- We recommend that the accumulation of fund balance in the general fund be kept within the requirements of state law.

**PRIOR YEAR RECOMMENDATIONS (Continued)**

Response -- We will monitor this balance more closely to keep it within the amounts allowed by state law.

Current Status -- The balance of the general fund is within the amount allowed by state law.

**9. CASH RECONCILIATIONS**

Issue -- A deposit was entered twice in the accounting records. The second deposit was posted to a cash account in the chart of accounts that is not used. This cash account was never reconciled, so the double deposit was not discovered.

Recommendation -- We recommend that all cash accounts be reconciled with amounts on the financial records of the City.

Response -- We will implement this recommendation.

Current Status -- Bank reconciliations are currently being done timely on all accounts.

**10. LIABILITY ACCOUNTS**

Issue -- The liability accounts were not reconciled at June 30, 2004. This resulted in accounts payable having a negative balance and customer deposits being overstated. Several other accounts also had incorrect balances. This can cause the financial statements to be misstated.

Recommendation -- We recommend that the liability accounts be reconciled at least annually.

Response -- We will reconcile and adjust these accounts on a regular basis.


Current Status -- Liability accounts, except for compensated absences, are currently being reconciled.

**CONCLUSION**

The matters discussed herein have been brought to the attention of responsible City personnel during the course of our examination. As a result, many of these recommendations are either being implemented or are under consideration at the time of issuance of this letter.

We wish to take this opportunity to express our thanks and appreciation for the courtesy and assistance extended to us by your personnel during our audit work.

We welcome the opportunity to discuss further any points mentioned herein. We feel that proper implementation of these suggestions will improve internal controls and protect the City's assets.

  
\_\_\_\_\_  
DAVIS & BOTT  
Certified Public Accountants, L.C.

November 4, 2005  
Brigham City, Utah